

Message Text

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PAGE 01 STATE 295380

72-61

ORIGIN EB-07

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DRAFTED BY EB/OF/FFD:CRCVANAUGH/ROGDEN:DE

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AID/NE:DLEATY (SUBS)

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EUR/RPE:PMC CLEAN (SUBS)

----- 123934

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FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD PRIORITY

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: WHEAT UMR

REF: (A) EC BRUSSELS 11713; (B) ISLAMABAD 11814;

-- (C) ISLAMABAD 11229; (D) ISLAMABAD 8394

-- (E) EC BRUSSELS 5589; (F) STATE 155420

1. REGRET THIS DELAY IN RESPONSE TO REFTELS CONCERNING
REDUCTION OR OMISSION WHEAT USUAL MARKETING REQUIREMENT
(UMR).

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PAGE 02 STATE 295380

2. REF (A) INDICATES EC NOW PREPARED RETAIN UMR LEVEL

AT 279,500 MT RATHER THAN PROPOSED HIGHER FIGURE OF 350,000 MT. YOU MAY INFORM PAKISTAN US SUPPORTS EEC REDUCTION IN UMR BASED ON PAKISTAN'S CURRENT BALANCE OF PAYMENTS SITUATION. WE BELIEVE UMR AT THIS LEVEL QUITE FLEXIBLE SINCE ITS WELL BELOW 5-YEAR AVERAGE FOR COMMERCIAL IMPORTS OF 493,414 MT. SHOULD US HAVE NEW WHEAT AGREEMENT WITH PAKISTAN IN US FY 1977, WE WOULD PROPOSE TO INCLUDE LEVEL ESTABLISHED BY EEC.

3. OMISSION UMR AS REQUESTED BY PAKISTAN REF (B) IS NOT POSSIBLE. GUIDING PRINCIPLE BEHIND APPLICATION OF UMRS HAS BEEN THAT CONCESSIONAL TRANSACTIONS IN AGRICULTURAL PRO-

DUCTS SHOULD BE ADDITIONAL TO NORMAL COMMERCIAL SALES, LATTER BEING DETERMINED ON BASIS OF RECENT TRADE HISTORY. COMPLETE OMISSION OF UMRS HAS OCCURRED IN VERY FEW INSTANCES AND ONLY IN THOSE COUNTRIES WHOSE ECONOMIES WERE COMPLETELY DISRUPTED BY REVOLUTION OR WAR. FAO PRINCIPLES OF SURPLUS DISPOSAL ALLOW FOR REDUCTION OF UMR BELOW 5-YEAR COMMERCIAL AVERAGE IN SPECIAL CASES. WE HAVE USED THIS FLEXIBILITY IN PAKISTAN CASE BY AGREEING TO 279,500 MT UMR, ONLY 57 PERCENT OF FIVE-YEAR COMMERCIAL IMPORT AVERAGE.

4. WE HAVE DISCUSSED THESE ISSUES AT SOME LENGTH WITH PAKISTAN EMBASSY OFFICIALS HERE, POINTING OUT THAT SHOULD EEC REOPEN BILATERAL CONSULTATIONS WITH US RE PROPOSED 350,000 MT UMR LEVEL, WE WOULD BE WILLING TO REVIEW POSSIBILITY OF REDUCTION. WE POINTED OUT NO DONOR LIKELY AGREE TO COMPLETE OMISSION OF UMR. FOLLOWING LAST CONVERSATION, FAO COUNSELLOR MEMON INDICATED THERE DID NOT APPEAR TO BE NEED FOR PAKISTAN TO GO TO CSD BUT THAT HE WOULD SEEK FURTHER INSTRUCTIONS FROM ISLAMABAD. WE SEE NO ADVANTAGE BEING GAINED BY PURSUING THIS MATTER IN CSD, AS WE SEE LITTLE LIKELIHOOD THAT DONOR COUNTRIES WOULD BE WILLING TO REDUCE 1977 UMR BELOW 279,500 MT FIGURE.

5. RE OTHER QUESTIONS RAISED REF (C):

-- A) PARA 3: PLEASE POINT OUT TO SECRETARY KAHN THAT LIMITED OFFICIAL USE

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PAGE 03 STATE 295380

FIRST DONOR TO PROPOSE FOOD AID IN ANY YEAR IS NORMALLY THE ONE TO SET UMR. IN FY 76 AND 77 EEC WAS FIRST DONOR TO PROPOSE NEW PROGRAM FOR PAKISTAN AND CONSEQUENTLY EEC ESTABLISHED UMR. IN EACH INSTANCE EEC CONSULTED WITH US AND OTHER MAJOR WHEAT EXPORTERS ON TERMS AND CONDITIONS OF PROPOSED PROGRAMS, INCLUDING UMR LEVEL.

-- B) PARA 4(A): YOUR INTERPRETATION OF AN 18-MONTH UMR

IS CORRECT. THIS HIGHLY UNUSUAL BUT DONE AT TIME BECAUSE OF EMERGENCY NATURE OF AMENDMENT. US DID NOT CHANGE TO PREVIOUS EEC UMR LEVEL OF 350,000 MT WHEN ITS WHEAT AGREEMENT WITH PAKISTAN WAS AMENDED IN AUGUST IN VIEW OF EMERGENCY NATURE OF PROGRAM AND HOPE THAT TOTAL COULD BE SHIPPED BEFORE SEPTEMBER 30, 1976.

-- C) PARA 4(B): IN ABSENCE OF NEW TITLE I WHEAT AGREEMENT IN FY 1977, ONLY UMR IN EFFECT WOULD BE EEC'S UMR OF 279,500 MT DURING PERIOD JULY 1976 THROUGH JUNE 1977 IF EEC/PAKISTAN AGREEMENT CONCLUDED.

-- D) PARA 4(C): FAO PRINCIPLES CALL FOR ONLY ONE UMR FOR ANY RECIPIENT COUNTRY AND COMMODITY FOR A 12-MONTH PERIOD.

BILATERAL CONSULTATIONS BETWEEN INITIAL DONOR AND PROSPECTIVE DONORS BEFORE AGREEMENT IS NEGOTIATED AND SIGNED IS BEST METHOD OF ASSURING ONLY ONE UMR. THUS IF USG DOES NOT OBJECT TO PROPOSED UMR LEVEL BY INITIAL DONOR WE INCORPORATE THAT LEVEL IN ANY TITLE I AGREEMENT WHICH FOLLOWS FOR THAT YEAR. KISSINGER

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